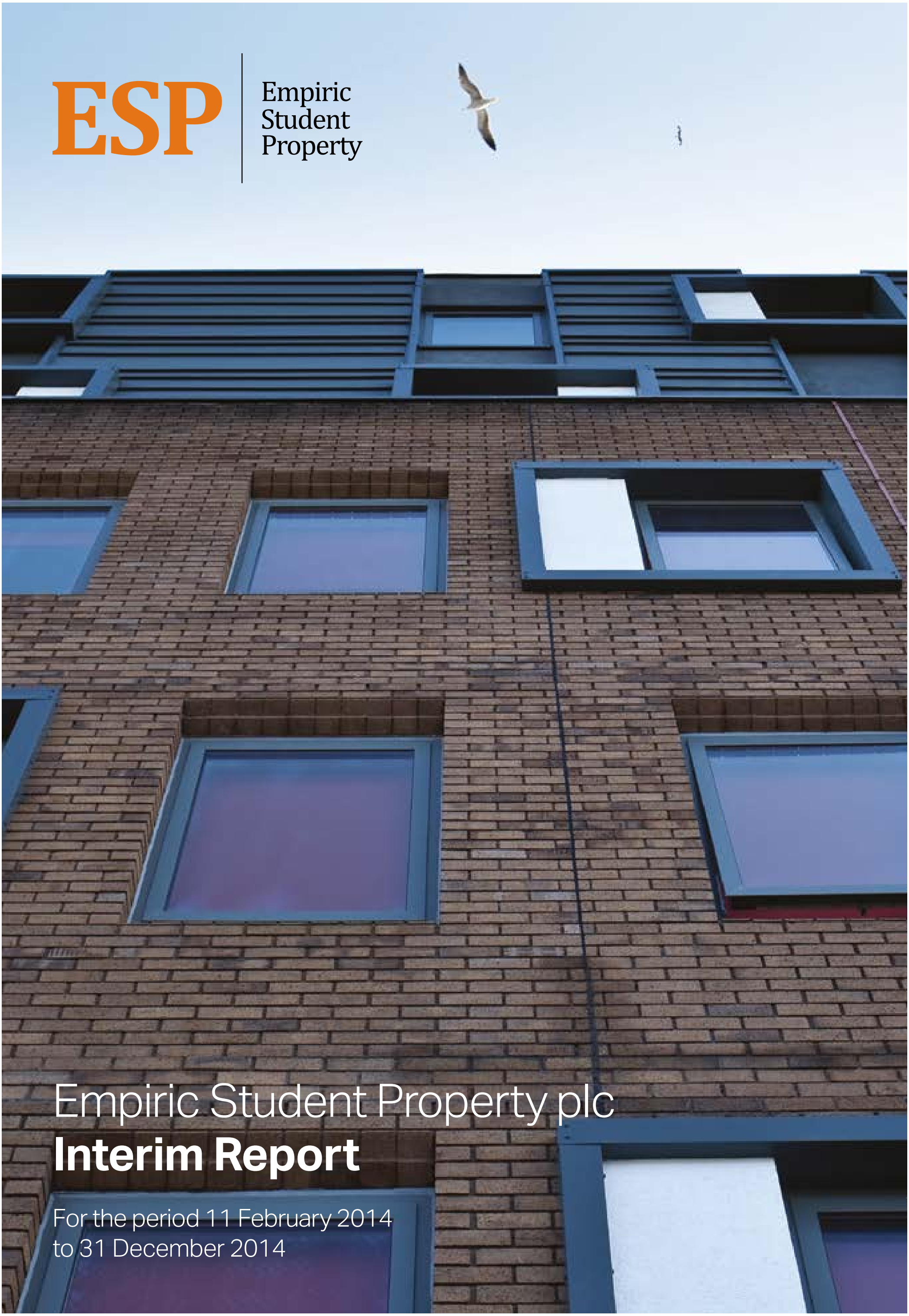
ESP | Empiric Student Property



Empiric Student Property plc
Interim Report

For the period 11 February 2014
to 31 December 2014

Empiric Student Property plc is an internally managed UK REIT investing in modern, premium student accommodation located in prime central locations in top university towns and cities in the UK.

As at 31 December 2014, the Property Portfolio comprised an aggregate of 1,566 beds in 17 assets in 13 UK university towns and cities.

Contents

Key highlights

- Empiric Student Property plc ("ESP" or "the Company") is an internally managed UK REIT investing in modern, premium student accommodation located in prime central locations in top university towns and cities in the UK.
- The Company listed on the Main Market (Premium Listing) of the London Stock Exchange on 30 June 2014 and has a current market capitalisation of £159.6m.
- As at 31 December 2014, the Property Portfolio comprised an aggregate of 1,566 beds. [1]
- Revenue in the period was £2.58m, which including a valuation uplift of £4.02m, resulting in profit before income tax for the period of £3.24m.
- Total Property Portfolio valuation of £110.17m as at period end.
  - Valuation uplift attributable to the investment properties (including the Group's share of joint ventures) of £4.02m (+3.78%) over aggregate asset acquisition costs.
  - NAV per share of 99.4 pence increased from 98.1 pence at inception.
- Post period end, the Company has announced the acquisition of a further operating asset and a development site and expects to exchange contracts on another operating asset and a forward funded asset by the end of February 2015, which, together, represent a further 372 beds.
- 2p dividend achieved for the six month period from IPO to 31 December 2014.
  - First interim dividend of 1.5 pence paid on 28 November 2014.
  - Second interim dividend of 0.5 pence declared today.

Proven high-end concept

- High end quality purpose-built or purpose renovated buildings of 50-200 beds.
- First rate services with high security standards drives full occupancy and repeat business.

Portfolio of well located assets

- Central or convenient locations in top UK university towns and cities.
- Strong growth opportunities in multiple target towns and cities across the UK.

Attractive and sizeable growth pipeline

- Portfolio growth through asset acquisition, forward funding and development activities.
- Immediate pipeline of c.£136 million to be executed in the next few months and c.£400m of assets under consideration for acquisition in the near term.

Experienced internal management team

- Internal management platform with strong senior management track record.
- Team has expanded since IPO with sector specialists focused on sourcing/acquisition, operations and project management.

Strong financial profile with prudent capital structure

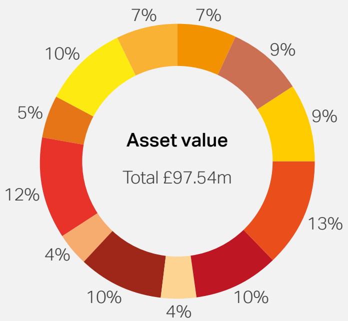
- 31 December 2014 unaudited NAV per share of 99.4p
- Current passing rent of £8.4 million with solid growth.
- Low cost base.
- Conservative debt facility at attractive cost to drive returns.

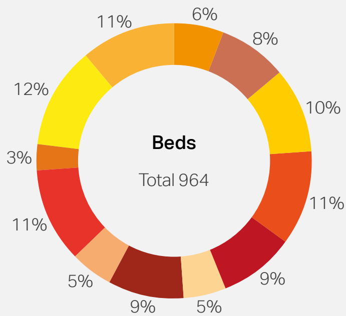
[1] Including Northgate House which the Group had exchanged conditional contracts by 31 December 2014 but which completed in February 2015.

Key investment criteria

The Company intends to meet its investment objective through acquiring, developing, owning and leasing high quality assets with the following characteristics:

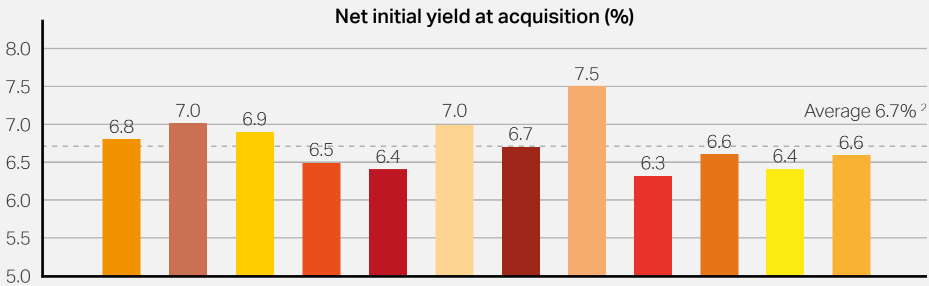
- Location in top UK university towns and cities, in central or convenient locations.
- Medium sized assets from 50-200 beds.
- Purpose built or purpose renovated buildings.
- Potential to implement high-end concept layout including typical communal facilities.
- Clustered location strategy to maximise profitability.
- 300-400 beds in 25-30 cities = 10,000 bed target.





Standing assets overview as at 31 December 2014 [1]

- **Aberdeen** - Centro Court
- **Birmingham** - Edge Apartments
- **Nottingham** - Talbot Studios
- **Birmingham** - Brook Apartments
- **Cardiff** - Summit House
- **Cardiff** - Alwyn Court
- **Bristol** - College Green
- **Southampton** - London Road Studios
- **Exeter** - Picturehouse Apartments
- **Exeter** - Dean Clarke Lofts
- **Hatfield** - Curzon Point
- **Leeds** - Algernon Firth



[1] Valuation from CBRE as at 31 December 2014
[2] Weighted by value

Overview of operating assets

Cardiff **Alwyn Court**
Number of beds **51**
Value **£3.8m**

Hatfield **Curzon Point**
Number of beds **116**
Value **£9.3m**

Exeter **Dean Clarke Lofts**
Number of beds **30**
Value **£4.5m**

Leeds **Algernon Firth**
Number of beds **111**
Value **£7.2m**

Bristol **College Green**
Number of beds **84**
Value **£10.2m**

Exeter
Picturehouse Apartments
Number of beds **102**
Value **£11.7m**

Cardiff **Summit House**
Number of beds **87**
Value **£9.7m**

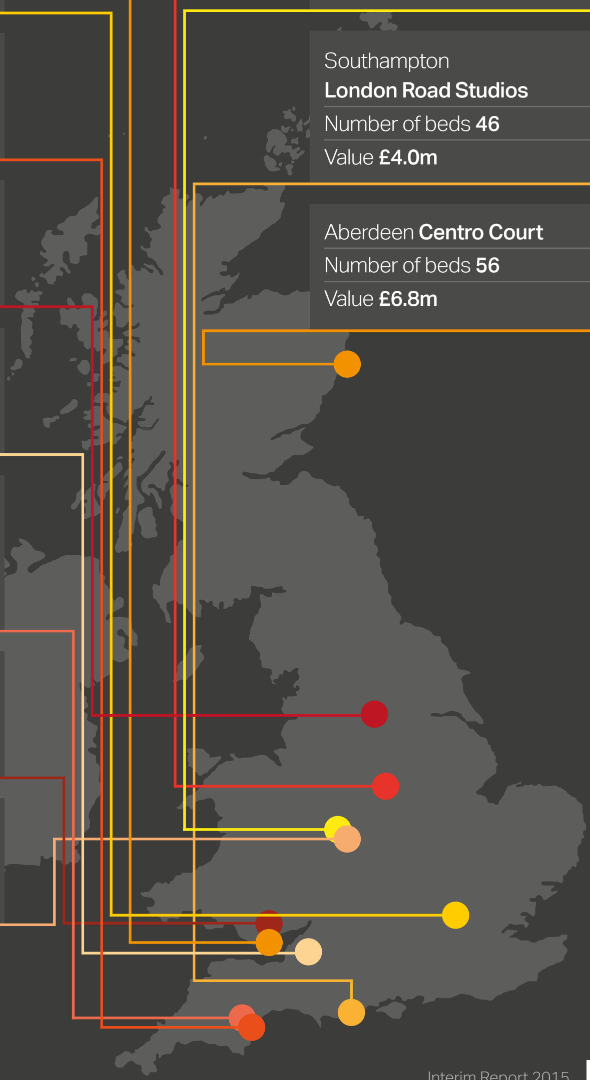
Birmingham **Edge Apartments**
Number of beds **77**
Value **£9.1m**

Nottingham **Talbot Studios**
Number of beds **98**
Value **£8.6m**

Birmingham **Brook Apartments**
Number of beds **106**
Value **£12.5m**

Southampton
London Road Studios
Number of beds **46**
Value **£4.0m**

Aberdeen **Centro Court**
Number of beds **56**
Value **£6.8m**




Trenchers
SANDWICHES • COFFEE • BUFFETS

Chairman's Statement

I am pleased to present the interim unaudited consolidated results for the Group for the period from 11 February 2014 to 31 December 2014.

The Company commenced operations following its IPO on 30 June 2014 and has performed well in the six months since then, delivering on its stated objectives through investment in centrally located, high-quality, purpose-built student accommodation in top university cities and towns in the UK. The Group's portfolio of properties has seen a meaningful uplift in value over a short period of ownership whilst allowing the Company to achieve its dividend payment targets for the period. In return, we have seen growing interest in the Company from existing and prospective new investors.

Overview

The Company's ordinary shares ("Shares") were listed on the Official List of the UK Financial Conduct Authority and admitted to trading on the Main Market for listed securities of the London Stock Exchange on 30 June 2014, raising gross proceeds of £85m (the "IPO").

The Company raised further gross proceeds of £65.65m through an issue of Shares on 24 November 2014, representing the first tranche of a share issuance programme permitting the issue of up to 300m Shares over a 12 month period concluding in October 2015 (the "Share Issuance Programme").

As at 31 December 2014, the Company's portfolio comprised 12 operating properties totalling 964 beds alongside two development assets and two forward funded assets providing an additional 535 beds (the "Property Portfolio"). These investments were made using the net proceeds of the IPO and the further issue of Shares, as well as the drawdown of the Company's £35.5m senior debt facility.

Assets

As at 31 December 2014, the gross value of the Property Portfolio was £110.17m (including the Group's share of the joint venture interests).

Since the period end, the Company has also announced the completion of the acquisition of a further two operating assets (with 178 beds) and the exchange of contracts on a piece of land in relation to a forward funded project (with planning permission for 67 beds). In addition, the Company expects to announce the conclusion of missives (equivalent to the exchange of contracts under English law) on two further assets (one operating and one development asset), representing 226 beds and worth, in aggregate, £24.08m by the end of February 2015. The Company will then have substantially fully deployed the net equity proceeds from the November 2014 fundraising.

Dividends

On 30 October 2014, the Company declared its first interim dividend of 1.5 pence per Share for the period from IPO to 30 September 2014, which was paid on 28 November 2014. The Company has today declared a second interim dividend of 0.5 pence per Share for the period 1 October 2014 to 31 December 2014, payable on or around 20 March 2015 to shareholders on the register on 6 March 2015. The ex-dividend date will be 5 March 2015.

Both interim dividends are property income distributions ("PIDs") in respect of the Group's tax exempt property rental business.

Taken together, the two interim dividends mean that the Company will have paid 2 pence per Share for the second half of 2014, which achieves the objective set out at the time of the November 2014 fundraising. The Company expects to pay dividends of 2 pence per Share for the first six months of 2015. The Company's target is to achieve an initial dividend yield of 6%, based on the IPO price of 100 pence per Share, for the financial year commencing 1 July 2015, provided that the Company can continue to successfully implement its Investment Policy.[1]

[1] Shareholders should note that the figures in relation to dividends set out above and elsewhere in this Half Year Report are for illustrative purposes only and are not intended to be, and should not be taken as, a profit forecast or estimate.

Financial Results

On the basis of International Financial Reporting Standards ("IFRS"), the profit before income tax for the Group for the period from 11 February 2014 to 31 December 2014 was £3.24m, with total comprehensive income of £2.71m.

Net Earnings Per Share for the period were 3.26 pence (3.23 pence on a fully diluted basis). It should be noted that the Company only commenced trading operations on 30 June 2014, the date of the IPO.

The unaudited Net Asset Value per Share as at 31 December 2014 was 99.4 pence, prior to adjusting for the second interim dividend of 0.5 pence per Share, compared with the Net Asset Value per Share of 98.1 pence at IPO, and is shown net of all property acquisition costs.

Financing

As at 31 December 2014, the Company had raised, in aggregate, gross proceeds of £150m of equity.

On 24 October 2014, the Company's wholly-owned subsidiary Empiric Investments (One) Limited ("EIOL") agreed a £35.5m term loan facility with The Royal Bank of Scotland plc ("RBS"). The RBS facility agreement is secured against eight of the Group's standing operating properties, representing a Loan to Value ratio of 19.2% as at the period end.

On 23 February EIOL agreed a revised revolving term loan facility with RBS increasing the senior debt available to the Group to £55.5m.

In addition, Empiric (Southampton) Limited, the joint venture development company owned on a 50/50 basis with an affiliated investment fund of Revcap Advisors Limited ("Revcap"), has entered into a development loan facility with Close Brothers Limited, for an amount of £10.14m, to fund the development of its Brunswick House development project in Southampton. This loan is non-recourse to the rest of the Group.

The Company continues to consider additional sources of debt financing to be secured against another wholly owned lending group of standing operating assets which is expected to broaden its lending relationships. Details of any facility will be notified at the appropriate time.

Alternative Investment Fund Manager ("AIFM")

On 26 November 2014, the Company was authorised and regulated by the Financial Conduct Authority as a full scope AIFM.

Outlook

The private student accommodation sector in the UK is continuing to experience strong growth and benefits from a number of fundamental drivers, most particularly, the prevailing supply/demand imbalance. The number of students is continuing to grow year-on-year, with the UK remaining a key destination for international students. The supply of purpose-built student accommodation, however, remains low, with some universities even struggling to meet all their accommodation obligations to first year students.

The Directors believe that the Group has a strong and identified pipeline of both standing assets and development opportunities which meet the Company's stated objectives. The net proceeds of the proposed Fundraising will enable the Company to make additional acquisitions, further growing and diversifying the Property Portfolio and providing operational benefits to the Group. The Directors remain confident of the Group delivering robust returns to our shareholders through a combination of a stable income stream coupled with growth driven by our forward funded and development assets.

The Rt Hon Baroness Dean of Thornton-le-Fylde
Chairman
25 February 2015

Executive Directors' Report

Overview

The UK student residential property market continues to develop and is beginning to mature with the direct-let sector becoming the target of more long-term focused investors. 2012 and 2013 each saw approximately £2bn of transactions in the student accommodation sector, increasing to approximately £2.8bn in 2014 and deals worth approximately £2.5bn are visible in 2015 already (Source: CBRE and management estimates). Most of the activity has taken place in the private market and many of the assets have been in London, with others around the provinces across a broad spectrum of properties, with both international investors and major UK based pension funds driving the market.

All of the above is existing stock changing hands. CBRE estimates that in 2014 there were only 15,000 newly developed beds under management in the UK compared to 2013, meaning that the supply/demand dynamic in the sector remains largely unchanged as student numbers continue to rise.

The investment objective of the Company is to provide shareholders with regular, sustainable and growing long term dividends (which it will seek to grow at least in line with the RPI inflation index), together with the potential for capital appreciation over the medium to long term. This will be achieved by acquiring, owning, developing and actively managing for income growth and cost reduction high quality student residential accommodation let on direct tenancy agreements to tenants enrolled with Higher Education Institutions ("HEIs") generally located in prime central locations in top university cities and towns in the UK. The Company is focused on investing in, and developing, high quality self-contained residential accommodation with assets, generally expected to be between 50 to 200 beds comprising studios and 1–3 bedroom apartments with generous space, en-suite bathrooms and kitchen facilities as well as premium communal facilities.

The Company targets upper quartile rental values, primarily servicing postgraduate and international students. The Company also benefits, in certain cases, from ancillary commercial lease opportunities within student accommodation properties, including (but not limited to) retail outlets and rooftop mobile telephone transmission apparatus.

Financial results

On an IFRS basis, operating profit for the interim period to 31 December 2014 was £2.40m. The results were positively impacted by the gain recognised on the revaluation of investment properties. This uplift in fair value of the investment properties in the period was £2.72m. The Company's share of results from joint ventures in the period was £1.30m, most of which related to an uplift in fair value.

The profit before tax for the period of £3.24m equates to Earnings per Share of 3.26 pence (basic) and 3.23 pence on a fully diluted basis.

No Corporation Tax has been charged in the period because of the Group's fulfilment of all of its obligations as a Real Estate Investment Trust ("REIT") including its dividend policy of distributing at least 90% of its property related net income.

Portfolio review

Investment overview

As at 31 December 2014, the Company had invested, or allocated for investment, £130.05m of the net proceeds raised pursuant to the IPO and subsequent fundraising in direct-let student accommodation investments, comprising a mix of operating properties (all fully let for 2014/15) and development and forward funded projects (the "Property Portfolio"). A summary of the Property Portfolio is set out in Tables 1 and 2, on page 11.

Table 1 – Operating assets

Name	Location	No. of beds	Date of acquisition	Title	Purchase price (£m)
College Green	Bristol	84	July 2014	Leasehold [1]	9.97
Picturehouse Apartments	Exeter	102	July 2014	Freehold	11.41
Summit House	Cardiff	87	July 2014	Freehold	9.58
Edge Apartments	Selly Oak, Birmingham	77	August 2014	Freehold	8.94
The Brook	Selly Oak, Birmingham	106	July 2014	Freehold	12.00
Centro Court	Aberdeen	56	September 2014	Freehold	6.50
London Road	Southampton	46	November 2014	Freehold / Leasehold	3.55
Talbot Studios	Nottingham	98	September 2014	Freehold	8.20
Alwyn Court	Cardiff	51	October 2014	Freehold	3.50
Curzon Point	Hatfield	116	December 2014	Leasehold [2]	9.23
Dean Clarke Lofts	Exeter	30	December 2014	Leasehold [3]	4.50
Algernon Firth [4]	Leeds	111	December 2014	Freehold	7.17
Total acquired at the period end		**964**			**94.55**
Northgate House [5]	Cardiff	67	February 2015	Freehold	5.20
Total		**1,031**			**99.75**

[1] 150 year lease, started in August 2010.
[2] 199 year lease, started in December 2014.
[3] 999 year lease, started in March 2014.
[4] The Group exchanged unconditional contracts to acquire Algernon Firth in December 2014. Completion of the acquisition took place in January 2015.
[5] The Group conditionally exchanged contracts to acquire Northgate House parts of which were still currently under construction. Completion of the acquisition took place on practical completion in February 2015. The vendor provided a 100% rental guarantee for the 2014/2015 academic year in respect of the parts of the property which were not let.

The gross annual rent for the 13 operating properties set out above was £8.4m. Target rental growth in the operating properties is an average of approximately 3.5%, comparing 2014/2015 with 2015/2016.

Yield compression is a key theme in UK property today. In the market for assets valued at £5-15m in which the Company operates, however, CBRE's December 2014 valuation indicates that investment yields have compressed by no more than 0.30%, with the Group's lowest valuation yield for an investment asset being 6.20%. One of the Group's development sites, which the Directors consider to be "super-prime", is currently valued using a 6.00% yield.

The average net initial yield of the operating properties as at 31 December 2014 was 6.7%. As the Company grows, its purchasing power is expected to increase with a resultant decrease in direct costs such as property managers' fees and utilities which will have a positive impact on net rents going forward.

Table 2 – Forward funded and development assets (4 in total)

Name	Location	Proposed no. of beds	Date of acquisition	Total investment to completion (£m)	Estimated completion date
Forward funded projects					
Buccleuch Street	Edinburgh	86	July 2014	8.5	May 2016
Snow Island	Huddersfield	98	November 2014	7.2	August 2015
Development projects					
Brunswick House	Southampton	173	July 2014	7.5 [1]	August 2015
Willowbank	Glasgow	178	December 2014	7.1 [1]	July 2016
Total		**535**		**30.3**	

[1] The total investment to completion figure excludes Revcap's contribution.

Valuation

The Company's Property Portfolio has been independently valued by CBRE in accordance with the RICS Valuation – Professional Standards January 2014 (the "Red Book"). As at 31 December 2014, the Company's Property Portfolio had a market value of £110.17m (including the Group's share of the joint venture interests). Of this, £97.32m was attributable to operating assets, an increase of 2.93% in value compared to the aggregate purchase price of £94.55m (net of acquisition costs). The aggregate valuation attributable to the forward funded and development assets was £12.85m, which is based on progress of the development of the assets to 31 December 2014.

Post balance sheet acquisitions

Since the period end, the Company has:

- Completed the acquisition of Halsmere Studios (formerly named Liberty Fields), a 79 bed operating property located in Camberwell, South London, for £13.25m;
- Completed the acquisition of Northgate House for £5.20m, following the exchange of conditional contracts in October 2014;
- Exchanged contracts on 95 Talbot Street, a development site in relation to a potential forward funded project with planning permission for a 67 bed development in Nottingham, for £825,000; and
- Agreed a revised revolving term loan facility with RBS, increasing the senior debt available to the Group to £55.5m.

These transactions were undertaken in February 2015.

Portfolio analysis

The Company's target market is the top 20% of UK university cities or towns, based on application figures, focusing specifically on those areas which experience above average levels of over-subscription compared to available university places. These criteria cover most of the Russell Group universities plus several of the entrepreneurial middle ranking universities, such as the University of Huddersfield, which was the 2013 Times Higher Education University of the Year.

Seed Assets

The seed assets bought from London Cornwall Property Partners Limited (a company owned and operated by the Executive Directors) ("LCPP") and an affiliated company of Revcap Advisors Limited ("Revcap") immediately following the Company's IPO have performed well over the period and lettings for these buildings are all in line with or ahead of this time last year.

Case Study: College Green, Bristol

College Green	
Acquisition price	£9.97m
Rent range for the 2014/15 academic year	£140 to £199 per bed per week
Ratio of student rental income to commercial rental income	85:15
Net initial yield at acquisition	6.40%

Developed by LCPP and in operation since the commencement of the 2011 academic year, College Green is an office conversion to bespoke student accommodation, comprising 84 beds arranged in both individual studios and two bedroom apartment configurations. The property includes a gym, cinema room, games rooms and study rooms for the use of the students.

The property also includes a retail outlet (a small Morrisons supermarket) on the ground floor which is let on a 15 year lease together with other retail/coffee shop units. The property is situated in a prime location, 10 minutes' walk from the University of Bristol campus and walking distance to Cabot Circus and the mainline railway station.

This was a flagship development for LCPP starting from acquisition of the building in 2010 through to completion and initial operation in the autumn of 2011 and it has been fully let every year of operation. It was one of the seed assets acquired by Empiric on 1 July 2014, immediately after the Company's IPO.

Other operating assets

Since IPO, the Company has invested in assets in a number of new cities and towns including Leeds, Aberdeen, Nottingham, Hatfield, London and Southampton and increased the Company's footprint in Exeter, Cardiff and Birmingham. As at 31 December 2014, the Company had 964 operating beds, including the seed assets referred to above, and had exchanged contracts on a further operating property with 67 beds.

In the provinces, investor competition for assets remains relatively low and the Company can still buy assets at favourable values. There are some "hot spots" but many other cities remain unexploited. The Company is one of the only institutional buyers in the £5-15m lot size range and sellers are directly approaching the Company with single buildings and small portfolios to sell. Some of the large institutional investors are refocusing their holdings, bringing assets like Liberty Fields (now renamed Halsmere Studios) to the market. In other cases, private equity investors have reached their equity IRR targets and are recycling their capital, while there are still off-shore open ended funds which are forced sellers in order to meet their redemption commitments.

Case Study: Cardiff – A city wide strategy

Empiric's "City Clustering" strategy fits in with a broader medium-term strategy to focus on the key UK student cities and towns, targeting typically 300-400 beds in a mixture of assets of different sizes. The Company is likely to extend this profile by increasingly looking for a presence of up to 2% of the student population in a prime student centre.

With over 40,000 full time students, Cardiff is a thriving Russell Group student city with a supply/demand ratio of only 22% for purpose-built student accommodation. With three operating assets in Cardiff, we can show the advantages of a "City Clustering" strategy that offers significant benefits in terms of marketing and promotion, operational and cost efficiencies as well as a meaningful and long term presence in a key student city. For example, the Company anticipates being able to derive cost savings through the joint management of all three of these properties which are situated close to each other.

Summit House	
Acquisition price	£9.58m
Rent range for the 2014/15 academic year	£163 to £189 per bed per week
Ratio of student rental income to commercial rental income	95:5
Net initial yield at acquisition	6.50%

This property was one of the seed assets acquired from LCPP by Empiric immediately after IPO. Developed by LCPP and in operation since the start of the 2013 academic year, Summit House is an office conversion to bespoke student accommodation, comprising 87 beds arranged in both individual studios and two bedroom apartment configurations. The property includes a gym, cinema room and study rooms for the use of the resident students. The property also benefits from the rental income from an antennae lease of roof space and a separate coffee shop on the ground floor. The property is located only 5 minutes' walk from the Cardiff University campus and close to the city centre and mainline railway station.

Alwyn Court	
Acquisition price	£3.50m
Rent range for the 2014/15 academic year	£115 to £155 per bed per week
Net initial yield at acquisition	7.05% on a reversionary basis

In October 2014, the Group acquired Alwyn Court, a purpose-built student accommodation property on Salisbury Road in Cardiff. The property, which opened in 2012, comprises 51 beds arranged in both individual studios and apartment configurations with communal facilities. The property is located within a five minute walk of Cardiff University.

Northgate House	
Acquisition price	£5.20m
Rent range for the 2014/15 academic year	£125 to £175 per bed per week
Net initial yield at acquisition	7.62% on a reversionary basis

The Group exchanged conditional contracts in October 2014 to acquire Northgate House, a purpose built student accommodation property, parts of which were still in late stages of construction, on The Kingsway in Cardiff. The property, which was completed in February 2015, comprises 67 beds arranged in both individual studio and apartment configurations with communal facilities. The property is situated in a prime central Cardiff location within an easy walk of Cardiff University.

Forward funded and development assets

Under the terms of the Company's Investment Policy, the level of investment in development assets is restricted to 20% of the gross asset value of the Company at the time of investment. Through gearing and joint venture partnerships (such as the 50:50 joint venture arrangements with Revcap described on page 17), the Company is able to develop a greater proportion of beds, resulting in a better rate of return compared to buying standing assets. Currently, the proposed beds from forward funded and development properties represent just over one third of the total existing and proposed beds in the Property Portfolio. As the Group's developments become operational on completion, the Company will be able to invest in a greater number of development assets compared with the number of new standing assets purchased, whilst remaining within the stated 20% investment limit.

The Company is involved in more forward funding deals than initially expected. With limited end purchasers of £5m-£15m assets, forward funded deals offer an exit for small and medium sized developers which also benefit from not requiring bank funding, while the Company benefits from reduced risk compared to its own developments. After Empiric has acquired the land, the developer takes on the build-out of the property in return for funding provided by the Company.

The Company receives a coupon on its funding to the developer (generally, 7% of the amount committed) and a discount on the end acquisition price in return for the forward commitment. The developer builds to the Company's high specifications and the profit is split between the two parties. The developer takes the construction risk and the risk of cost over-runs, and Empiric's time commitment is far less than in direct development. Such projects are projected to generate a yield on cost of approximately 8% per annum.

The Directors see forward funding becoming the major procurement route for development properties and, to this end, several of these partnerships are developing in various UK regions.

Case Study: Snow Island, Huddersfield

Snow Island	
Proposed number of beds	98
Total consideration payable	£7.20m
Estimated completion date	31 August 2015
Estimated yield on cost	8.22%

In November 2014, the Group acquired the freehold of the site, in a prime location close to the University of Huddersfield, from the developer. The University of Huddersfield is one of the fastest growing universities in the UK, investing significant sums in faculty development. With over 19,000 students, the area is poorly served in respect of high quality, purpose-built student accommodation assets.

The Company has entered into a Development Framework Agreement with Revcap to jointly identify, acquire, secure planning and develop suitable assets. A separate 50:50 Joint Venture Company is created for each joint development whereby equity funding is shared equally.

The projects are managed by Empiric (Developments) Limited, a wholly owned subsidiary of Empiric, which will receive an asset management fee of 3.5% of the construction cost and will also receive an incentive profit share based on IRR achieved.

From practical completion, the Company can exercise its right to purchase Revcap's interest in the joint venture based on an independent valuation, at which point the IRR incentive referred to above would be triggered.

With an increase in forward funded projects, however, the Directors expect the Company's exposure to direct development to be proportionately less than originally anticipated.

Case Study: Brunswick House, Southampton

Brunswick House	
Proposed number of beds	173
Total investment (equity and share of joint venture debt)	£7.53m
Estimated completion date	17 August 2015
Estimated yield on completion	6.25%
Estimated yield on cost (Empiric owned 50%)	9.64%
Current percentage equity interest in project	50%

In July 2014, Empiric (Southampton) Limited, a joint venture development company owned on a 50/50 basis between the Company and a Revcap affiliated investment fund, acquired Brunswick House on Brunswick Place, Southampton for £3.58m. The project comprises the redevelopment of a commercial office property into a direct-let, premium student accommodation scheme and has planning permission for 173 studio beds. The proposed opening target date for the development is September 2015 in time for the 2015/2016 academic year. The project is located in central Southampton, close to Southampton Solent University and between the city centre and the University of Southampton. Empiric (Southampton) Limited has entered into a development loan facility with Close Brothers Limited to fund the development of the project.

This asset is in very close proximity to the 46 bed, London Road, Southampton operating property acquired by the Group in November 2014. On completion of the Brunswick House development, the two properties can also be co-managed and operated to maximise efficiency and customer service.

Operations

Location

The Company is focused on the best regional universities and university cities and towns in the UK, which we define as being the top 20% by application demand. These are, generally, the Russell Group universities and/or the best middle ranking entrepreneurial universities. The Company's aim is to build a portfolio of prime, high yielding, regional, direct-let residential properties. The Company's target remains 10,000 beds within five years of IPO, made up of 300-400 beds in 25-30 cities and towns in the UK.

Outside London, the Company has not bid against any major investors, with all acquisitions having been off market, sourced by the executive management team or via direct approaches to the Company. With over 80% of students in the UK not being in London, the regional market is large with less competition. As at 31 December 2014, the Group owned (or had exchanged contracts on) 13 operating assets in nine towns and cities throughout the UK and four development sites in a further three locations.

The acquisition of Halsmere Studios (formerly named Liberty Fields), in Camberwell, South London, in February 2015, represents the Company's first acquisition in the London market. The London market has proved more competitive than other cities but this acquisition has proved that the Company is able to source excellent value, high quality assets even in this market.

Customers

The Company provides premium beds in smaller buildings, currently ranging between 30 and 178 beds with an average of 92 beds across the Property Portfolio, located in city centres and towns near shops, bars and restaurants and a short walk from university buildings. A recent analysis of the Company's customer base indicated that:

- 75% of tenants are non-UK nationals;
- some 60 different nationalities are represented;
- 45% of the tenants are doing a second degree; and
- the age range of tenants is 18-33 years old.

Premium accommodation, however, does not appear to be the preserve of foreign students; for example in Nottingham the breakdown of the Company's tenants is 50/50 UK and non-UK nationals.

Bookings

Direct-let student residential, particularly letting to foreign and post graduate students, is subject to late decision making by tenants, due to visa approvals and the more ad hoc arrangements for MA applications than the UCAS undergraduate system. Consequently, with the majority of Empiric's tenants being foreign and/or post-graduate students, year on year bookings comparisons for September 2015 are currently based on very early numbers. However, indications are that the operating assets within the Property Portfolio will be fully let (i.e. a vacancy rate of less than 2.5%) for the start of term in September 2015.

Management

The marketing, management and maintenance of each of the Company's assets is outsourced to a specialist provider, of which there are half a dozen national operators. With 14 operating assets as at the date of this report, the Company has diversified its reliance, using several providers, including two of the best known in the country. As a result of acquisitions with incumbent management, the Company has also gained exposure to several less well-known local and regional operators.

The Company has recently appointed an Operations Director (a non-Board position) whose background includes working in a similar business to Empiric's in the US and, more recently, as a senior manager at one of the London only, premium accommodation providers, responsible for running a 1,200 bed building. His primary responsibility will be to form an internal management framework to manage, benchmark and achieve best value and the highest service from third-party service providers.

In addition, he has been tasked with forming direct relationships with the on-site managers, who have a major influence over rebooking rates, generating a sense of cohesion and purpose. As the Property Portfolio grows and the Group starts to achieve critical mass in a city, targeting three or four buildings, representing 300-400 beds, the on-site managers (who currently tend to work for the Group on a part-time basis) will have the opportunity to assume responsibility, on a full-time basis, for all the Group's student accommodation properties in a particular city. The Directors believe that this will provide the on-site managers with a further incentive to help to develop the business, without diluting the intimate nature of a smaller building from the tenants' perspective.

The Company is planning to take over the management and day-to-day running of Halsmere Studios in Camberwell from September 2015, under the responsibility of the Operations Director. This property is currently marketed and managed by one of the national providers and the marketing will remain outsourced. The proposed direct management of Halsmere Studios is a tentative but exciting step forward for the Company towards providing an in-house operational capability which will reduce reliance on external managers.

Market

Supply/Demand

Student numbers in the UK have grown about 7-fold in the last generation. The increase in numbers has persisted through all governments at a similar pace and, with the lifting of the numbers cap by the current government, enabling each university to recruit as many students as it wishes, numbers are expected to grow further. Statistics on student numbers released in January 2015 by the Higher Education Statistics Agency ("HESA") indicate a rise of 14,000 students for the academic year 2013/14 over 2012/13 bringing the total number of full time students to approximately 1.7m. University and College Admissions Service ("UCAS") showed the number of applicants for the 2014/15 academic year as being 580,000, a rise of 22,000 applicants year-on-year with a further 12,000 increase for the 2015/16 academic year.

The number of UK students applying to study in the UK peaked in 2011 (before UK tuition fees were increased) and for 2013/14 the comparable number is less than 1% off that peak. The dip in UK students has been consistently mitigated by the increasing number of foreign students. HESA statistics show that approximately 23% of students in the UK are foreign students. Total applicants (both UK and foreign) for 2015/16 are 1.5% ahead of the 2011 peak.

Despite the development of tens of thousands of beds over the last 10-15 years, a structural gap continues to exist between the number of students and the number of available beds, as universities in the UK have invested substantial sums in additional teaching facilities. A study of existing data in 2014 showed that in 27 selected premier university cities in the UK, some cities had a shortfall of purpose-built beds even for first year students, with some 96% of students beyond first year level having no access to purpose-built accommodation.

Debt Market

Interest rates continue to be driven down with 15 year money rates at record lows. The Company has recently received some very competitive quotes for long term debt and is examining the available options. Details of any facility will be notified at the appropriate time. The Company's target long term LTV remains 35% with a cap at 40%. RBS economists are currently predicting that rates will not rise for 12 months (February 2016) and that the cycle will peak in mid-2018 at around 2-2.5%.

Outlook

In addition to the recent and pending acquisitions, the Company has a strong near-term pipeline of, in aggregate, 12 properties and one five building portfolio, comprising a mix of operating properties and properties under development amounting to approximately 1,266 beds and representing a total potential commitment of £136m, with a similar return profile to the current portfolio.

With just under 2.5m students in total in the UK and approximately 1.7m full time, the Company's target of 10,000 beds is unlikely to see Empiric breaching 2% of the student accommodation market in each of the Company's targeted university cities or towns in the UK. With stable supply/demand ratios and little competition in the provinces, the outlook for a modestly geared REIT with low market penetration ambitions is positive.

Only modest rental growth is required to maintain and increase the dividend by RPI and this looks achievable. The acquisition opportunities for expansion exist and the Directors believe that the Company has reached the point where it can begin to expand quite aggressively without excessive cash drag or compromising the dividend target.

Paul Hadaway
Chief Executive Officer

Michael Enright
Chief Financial Officer

25 February 2015

Principal Risks

The Prospectus issued on 30 October 2014 (available on the Company's website) includes details of what the Group considers to be the key principal risks faced by the business. However, as the Group has a limited operating history, some risks are not yet known and some, that are currently not deemed material, could later turn out to be material. A summarised list of the principal risks is set out below:

Property Market Risks

- The Group's performance will depend on general property and investment market conditions.
- Rental income and property values may be adversely affected by an increased supply of student accommodation, failure to collect rents, increasing costs or any deterioration in the quality of the properties in the Property Portfolio.
- The Group will continue to focus exclusively on the student accommodation sector. It will, therefore, have direct reliance on the development of the higher education market in the UK, including a change in demand from international students.
- The Group faces competition in the student accommodation sector from a number of UK and international property investors, both existing and new, which may have access to larger financial resources and/or be targeting lower investment returns. This may lead to an oversupply of rooms through overdevelopment, to prices for existing properties or land for development being inflated or to an adverse impact on rents to be achieved.
- The Group may not be able to let the commercial units which form part of some of the properties it owns or acquires.
- The Group's development activities are likely to involve a higher degree of risk than is associated with operating properties including general construction risks such as delays or health and safety problems, developments not being completed (while associated costs are still incurred) or changes in market conditions which could result in completed developments having substantial vacancies.

Funding Risks

- The Group's strategy anticipates the Company or certain Group companies incurring debt with interest payable based on LIBOR and it may hedge or partly hedge interest rate exposure on borrowings. However, such measures may not be sufficient to protect the Group from adverse movements in prevailing interest rates.
- Acquisition of properties may be funded partly by borrowings. If the value of the Group's assets falls, the NAV of the Group will reduce. Furthermore, the borrowings which the Group uses contain loan to value covenants. If the Group's assets decrease in value there is a risk that such covenants could be breached.
- Without the continued availability of debt on acceptable terms, the Group may be unable to progress investment opportunities as they arise and continue to grow the Group in line with the long-term strategy.

Operational Risks

- The Group's ability to achieve its investment objective is partially dependent on the performance of the Executive Directors which cannot be guaranteed. As a result, the Group's performance will, to a large extent, be dependent upon the ability of the Company to retain key staff through suitable incentivisation and/or recruit individuals of similar experience and calibre on a timely basis.

Taxation Risks

- If the Group breaches any of the REIT regulations, this may lead to the Group losing its REIT status and therefore members of the Group may be subject to UK corporation tax.

Director's Responsibility Statement

The Directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the operating and financial review herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority namely:

- an indication of important events that have occurred during the first eleven months of the financial period and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial period; and
- material related party transactions in the first six months.

A list of the current Directors is shown on page 39. Shareholder information is as disclosed on the Empiric Student Property plc website, www.espreit.co.uk.

For and on behalf of the Board

The Rt Hon Baroness Dean of Thornton-le-Fylde
Chairman
25 February 2015

Independent Review Report to Empiric Student Property Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the period from 11 February 2014 to 31 December 2014 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect of interim financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the period from 11 February 2014 to 31 December 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants and Registered Auditors
Location
United Kingdom
25 February 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Unaudited Condensed Consolidated Statement of Comprehensive Income for the period 11 February 2014 to 31 December 2014

	Notes	£
Continuing Operations		
Revenue		2,578,897
Property expenses		(715,766)
Gross profit		1,863,131
Administrative expenses		(2,184,514)
Change in fair value of investment property	5	2,720,531
Operating Profit		**2,399,148**
Finance cost		(489,539)
Finance income		31,232
Net finance cost	2	(458,307)
Share of results from joint venture	6	1,296,714
Profit before income tax		**3,237,555**
Corporation tax	3	-
Profit for the period		**3,237,555**
Other comprehensive income		
Fair value loss on cashflow hedge		**(530,809)**
Total comprehensive income for the period		**2,706,746**
Earnings per share expressed in pence per share	4	
Basic		3.26p
Diluted		3.23p

Unaudited Condensed Consolidated Statement of Financial Position
31 December 2014

Assets	Notes	£
Non-current assets		
Property, plant and equipment		58,749
Investment property	5	104,264,540
Joint venture	6	5,902,974
		110,226,263
Current assets		
Trade and other receivables		1,485,305
Cash and cash equivalents		83,898,880
		85,384,185
		195,610,448
Liabilities		
Current liabilities		
Trade and other payables		8,026,278
Deferred rental income		2,873,417
		10,899,695
Non-current liabilities		
Borrowing	7	34,863,547
Derivative financial liability	8	773,385
Total liabilities		**46,536,627**
Called up share capital	9	1,500,000
Share premium	10	63,489,735
Capital reduction reserve	10	81,006,424
Retained earnings	10	3,608,471
Cashflow hedge reserve	10	(530,809)
Total equity		**149,073,821**
Total equity and liabilities		**195,610,448**
Net asset value expressed in pence per share		
Basic	11	99.38p
Diluted	11	98.77p

Unaudited Condensed Consolidated Statement of Changes in Equity for the period 11 February 2014 to 31 December 2014

	Called up Share capital £	Share premium £	Retained Earnings £	Capital reduction reserve £	Cashflow hedge reserve £	Total Equity £
Changes in equity						
Profit for the period	-	-	3,237,555	-	-	3,237,555
Fair value loss on cashflow hedge	-	-	-	-	(530,809)	(530,809)
Total comprehensive income for the period	**-**	**-**	**3,237,555**	**-**	**(530,809)**	**2,706,746**
Issue of share capital	1,550,000	149,150,000	-	-	-	150,700,000
Share issue costs	-	(3,378,841)	-	-	-	(3,378,841)
Redemption of share capital at par	(50,000)	-	-	-	-	(50,000)
Share-based payment	-	-	370,916	-	-	370,916
Reduction in share premium	-	(82,281,424)	-	82,281,424	-	-
Dividends	-	-	-	(1,275,000)	-	(1,275,000)
Total contibutions and distribution recognised directly in equity	**1,500,000**	**63,489,735**	**370,916**	**81,006,424**	**-**	**146,367,075**
Balance at 31 December 2014	**1,500,000**	**63,489,735**	**3,608,471**	**81,006,424**	**(530,809)**	**149,073,821**

Unaudited Condensed Consolidated Statement of Cash Flows for the period 11 February 2014 to 31 December 2014

Cash flows from operating activities	**Notes**	**£**
Cash generated from operations	16	2,623,909
Cash flows from investing activities		
Purchase of tangible fixed assets		(64,792)
Investment in joint venture		(4,606,260)
Purchase of investment property		(94,944,915)
Interest received		31,232
Net cash from investing activities		**(99,584,735)**
Cash flows from financing activities		
Share issue proceeds		150,650,000
Share issue costs		(3,378,841)
Restricted shares issued		50,000
Restricted shares redeemed		(50,000)
Borrowings		34,863,547
Dividends paid		(1,275,000)
Net cash from financing activities		**180,859,706**
Increase in cash and cash equivalents		**83,898,880**
Cash and cash equivalents at beginning of period		**-**
Cash and cash equivalents at end of period		**83,898,880**

Notes to the Financial Statements

1. Accounting policies

1.1 Trading period

The condensed interim financial statements of the Group's reporting period are from the date of incorporation 11 February 2014 to 31 December 2014. The Group, however, only commenced trading from the 30 June 2014.

1.2 Going concern

The Group has raised £150m from two equity placements and £35.5m of debt. The Group has begun to deploy these funds across a portfolio of assets that all have stable income streams and that have potential for capital appreciation. As at 31 December 2014 the Group held £83.9m in cash that had not been invested in property but is expected to be invested in line with these objectives.

The Directors are therefore satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, for a period of not less than 12 months from the date of this report.

1.3 Basis of preparation

The condensed interim financial statements of the Group for the period from 11 February 2014 to 31 December 2014 comprise the Company and its subsidiaries, together referred to as the Group. The condensed interim financial statements for the period from 11 February 2014 to 31 December 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, Interim Financial Reporting, as adopted by the European Union.

The condensed consolidated financial statements for the Group for the period from 11 February 2014 to 31 December 2014 have been reviewed by the Company's Auditor and approved for issue on 25 February 2015.

The Group's interim financial statements have been prepared on a historical cost basis, except for investment property and a swap derivative which have been measured at fair value. The condensed consolidated financial statements are presented in Sterling, the Group's functional currency.

1.3a Condensed accounting policies

The condensed interim financial statements of the Group for the period from 11 February 2014 to 31 December 2014 comprise the Company and its subsidiaries, together referred to as the Group. The condensed interim financial statements for the period from 11 February 2014 to 31 December 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, Interim Financial Reporting, as adopted by the European Union. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the prospectus issued in respect of the Empiric Share Issuance Programme (the "Prospectus") (issued on 30 October 2014 for the period from 30 October 2014 to 29 October 2015).

The preparation of the Group's interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Group has applied the same accounting policies in these condensed interim consolidated financial statements as in the Prospectus (Part 5 – Financial information of the Group).

1.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated interim financial statements:

(a) Operating lease contracts - the Group as lessor

The Group has acquired investment properties which are subject to commercial property leases with tenants. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

(b) Fair valuation of investment property

The market value of investment property is determined, by a real estate valuation expert, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation expert uses recognised valuation techniques and the principles of IFRS 13.

The valuations have been prepared in accordance with the RICS Valuation - Professional Standards January 2014 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths, and location. The significant methods and assumptions used by valuer in estimating the fair value of investment property are set out in Note 5.

For properties under construction the fair value is calculated by estimating the fair value of the completed property using the income capitalisation technique less estimated costs to completion.

(c) Fair value for derivatives

In accordance with IAS 39 the Group values its derivative interest rate swaps at fair value. The fair values are estimated by an independent valuer on behalf of the Group, using a number of assumptions based upon market data.

1.5 Summary of significant accounting policies

Segmental information

The Directors are of the opinion that the Group is engaged in a single segment business, being the investment in the United Kingdom in student and commercial lettings.

Investment property

Investment property comprises property that is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost including transaction costs and is included in the accounts upon unconditional exchange. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the Consolidated Statement of Comprehensive Income in the year in which they arise.

Investment property is no longer recognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The investment property is no longer recognised upon unconditional exchange. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the Consolidated Statement of Profit or Loss in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous period's financial information.

Rent and other receivables

Rent and other receivables are recognised at their original invoiced value net of VAT. A provision is made when there is objective evidence that the Group will not be able to recover balances in full.

Hedge accounting

The Company's activities expose it to the financial risks of changes in interest rates.

The use of financial derivatives (interest rate swaps) is approved by the Board of Directors and is consistent with the Group's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. Any difference between the transaction price and the initial fair value is recognised immediately in the Consolidated Statement of Profit & Loss. The Company designates certain derivatives as hedges of the change of fair value of recognised assets and liabilities ('cash flow hedges'). Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or the Company chooses to end the hedging relationship.

Cash flow hedge

The Group has used a derivative instrument to convert its floating rate debt to a fixed rate in order to hedge the interest rate risk.

The Group designates this as a hedging instrument in the cash flow hedge. Changes in fair value of the hedging instrument are recognised in other comprehensive income to the extent that they represent an effective hedge, otherwise fair value changes are recognised in the profit and loss account.

2. Finance cost

Finance costs	£
Fair value loss on inception of interest rate swap	242,576
Interest expense on bank borrowings	246,963
	489,539
Finance income	
Interest on cash and short term deposits	31,232
Net finance cost	**458,307**

3. Corporation tax

Taxation on the profit or loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Taxation is recognised in the REIT group Consolidated Statement of Profit or Loss except to the extent that it relates to items recognised as direct movement in equity, in which case it is also recognised as a direct movement in equity.

Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

4. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

	Earnings £	Weighted average number of shares	Per-share amount pence
Basic EPS			
Calculation of basic EPS	3,237,555	99,207,650	3.26
Diluted EPS			
Adjustment for employee share options	-	937,500	
Calculation of diluted EPS	**3,237,555**	**100,145,150**	**3.23**

The ordinary number of shares is based on the time weighted average number of shares throughout the period since IPO. This excludes the period from 11 February 2014 to 29 June 2014 when the Group was dormant.

5. Investment property

	Assets under construction £	Investment properties freehold £	Investment properties long leasehold £	Total £
As at 11 February 2014	-	-	-	-
Property additions	5,245,717	86,186,532	10,111,760	101,544,009
Change in fair value during the period	1,684,283	933,008	103,240	2,720,531
As at 31 December 2014	**6,930,000**	**87,119,540**	**10,215,000**	**104,264,540**

In accordance with IAS 40, the carrying value of investment property is their fair value as determined by an external valuer. This valuation has been conducted by CBRE Limited and has been prepared as at 31 December 2014, in accordance with the Appraisal & Valuation Standards of the Royal Institution of Chartered Surveyors ("RICS"), on the basis of market value. This value has been incorporated into the financial statements.

The independent valuation of property assets uses market evidence and also includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal can lead to a reduction in property values and a loss in net asset value.

The following table provides the fair value measurement hierarchy for investment property:

	Date of valuation	Total £	Quoted prices in active markets (Level 1) £	Significant observable inputs (Level 2) £	Significant observable inputs (Level 3) £
Assets measured at fair value:					
Investment property	**31 Dec 2014**	**104,264,540**	**-**	**-**	**104,264,540**

There have been no transfers between Level 1 and Level 2 during the period, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

The valuations have been prepared on the basis of Market Value ("MV") which is defined in the RICS Valuation Standards, as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion."

The following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

(a) Unobservable input: Rental values
The rent at which space could be let in the market conditions prevailing at the date of valuation.
(Range £109 per week - £215 per week)

(b) Unobservable input: Rental growth
The estimated average increase in rent based on both market estimations and contractual arrangements.
Assumed growth of 3% used in valuations.

(c) Unobservable input: Net initial yield
The net initial yield is defined as the initial gross income as a percentage of the purchase price plus standard costs of purchase (Range: 6.00% - 6.50%).

(d) Unobservable input: Physical condition of the property

(e) Unobservable input: planning consent
No planning enquiries undertaken for any of the development properties.

6. Joint ventures

In July 2014, the Group entered a joint venture with Real Estate Venture Capital Ltd (Revcap) to develop a 173 room site in Southampton called Brunswick House. The total cost of the development will be £12.9m. Funding for the development has been obtained with a contribution of equity (50% from each entity), and from senior debt of £9.35m from Close Brothers. The completion date for the development of the property is scheduled for 30 September 2015.

Investment made by Empiric	3,123,300
Empiric share of profit	853,008
Total Empiric investment at 31 December 2014	3,976,308

In July 2014, the Group entered a joint venture with Revcap to develop a 178 room site in Glasgow called Willowbank. The total cost of the development will be £14.0m. Funding for the development has been obtained with a contribution of equity (50% from each entity). The completion date for the development of the property is scheduled for July 2016.

Investment made by Empiric	1,482,960
Empiric share of profit	443,706
Total Empiric investment at 31 December 2014	1,926,666
Total Empiric investments in joint ventures at 31 December 2014	**5,902,974**

	Country of incorporation	Ownership %	Principal activity
Empiric (Southampton) Limited	UK	50%	Property investment
Empiric (Glasgow) Limited	UK	50%	Property investment

7. Borrowings

Any associated fees in arranging the bank borrowings that are unamortised as at the period end are offset against amounts drawn on the facilities as shown in the table below.

	£
Bank borrowings drawn: due in more than one year	35,500,000
Less: unamortised costs	(636,453)
As at 31 December 2014	**34,863,547**

8. Interest rate derivative

The Group has used an interest rate swap derivative to mitigate exposure to interest rate risk. As per IAS 39, an initial fair valuation loss upon inception of £242,576 was recognised within finance costs through the Statement of Comprehensive Income. A subsequent fair valuation movement of £530,809 on 31 December 2014 was recognised in other comprehensive income. The total fair value of this contract is recorded in the Statement of Financial Position as a level 2 valuation as described in note 5. There have not been any transfers of assets or liabilities between levels of fair value hierarchy in the period.

9. Share capital

Ordinary shares		Number	£
Issued and fully paid	11 February 2014	1	-
Issued and fully paid	30 June 2014	85,000,000	850,000
Issued and fully paid	24 November 2014	65,000,000	650,000
As at 31 December 2014		**150,000,001**	**1,500,000**
Restricted shares		**Number**	**£**
Issued and fully paid	29 April 2014	50,000	50,000
Redeemed at par value	30 June 2014	(50,000)	(50,000)

10. Reserves

	Capital reduction reserve £	Retained earnings £	Share premium £	Cashflow hedge reserve £	Totals £
Profit for the period	-	3,237,555	-	-	3,237,555
Cash share issue	-	-	149,150,000	-	149,150,000
Share based payment	-	370,916	-	-	370,916
Cancellation of share premium	82,281,424	-	(82,281,424)	-	-
Share issue costs	-	-	(3,378,841)	-	(3,378,841)
Cash flow hedge reserve	-	-	-	(530,809)	(530,809)
Dividends paid	(1,275,000)	-	-	-	(1,275,000)
As at 31 December 2014	**81,006,424**	**3,608,471**	**63,489,735**	**(530,809)**	**147,573,821**

The Capital reduction reserve account is a distributable reserve account. On 30 July 2014 the Company, by way of Special Resolution, cancelled its share premium account as confirmed by an Order of the High Court of Justice, Chancery Division.

11. Net Asset Value per share (NAV)

Basic NAV per share is calculated by dividing net assets in the Consolidated Statement of Financial Position attributable to ordinary equity holders by the number of Ordinary Shares outstanding at the end of the period.

Net Asset Values have been calculated as follows:

Net assets per Consolidated Statement of Financial Position	149,073,821
Ordinary shares:	
Issued share capital	150,000,001
Issued share plus employee options	**150,937,501**
Net Asset Value per share basic	99.38p
Net Asset Value per share diluted	**98.77p**

12. Contingent liabilities

There were no contingent liabilities at 31 December 2014.

13. Capital commitments

At the balance sheet date the Group was committed to further capital expenditure on the development of the property owned by Empiric (Buccleuch Street) Limited totalling £5.28 million. The Group is also committed to providing further funding to the Empiric (Southampton) Limited joint venture totalling £8.23 million.

14. Related party disclosures

Key management personnel

Key management personnel are considered to comprise the board of directors.

Property purchases

There are a number of properties that were acquired from a joint venture between London Cornwall Property Partners Ltd (LCPP) and Real Estate Venture Capital (Revcap). These properties comprise College Green, Picturehouse Apartments, Summit House and Edge Apartments.

Name	Location	Vendor	Related party associated with the Vendor	Acquisition Price (£m)	Acquisition Date
College Green	Bristol	Bristol Student Housing LLP	LCPP [1] Revcap [2] Michael Enright [4]	9.97	1 July 2014
Picturehouse Apartments	Exeter	Prime Student Housing (Exeter) LLP	LCPP [1] Revcap [2] Michael Enright [3]	11.41	1 July 2014
Summit House	Cardiff	Prime Student Housing (Cardiff) LLP	LCPP [1] Revcap [2] Michael Enright [3]	9.58	1 July 2014
Edge Apartments	Birmingham	Prime Student Housing (Birmingham) Limited (Jersey)	LCPP [1] Revcap [2]	8.94	21 August 2014

[1] Paul Hadaway and Tim Atlee are directors and shareholders in LCPP.
[2] Stephen Alston is a partner at Revcap.
[3] Michael Enright was a shareholder in the vendor for Picturehouse Apartments and Summit House.
[4] College Green was purchased from Bristol Student Housing LLP to whom Mr Enright was a senior debt provider.

Share capital

The table below details the share transactions of related parties over the period.

Name	How related	No of shares	Transaction	Date
Tim Atlee	Director	875,000	Purchased	30 June 2014
Paul Hadaway	Director	875,000	Purchased	30 June 2014
Michael Enright	Director	520,000	Purchased	30 June 2014
Baroness Brenda Dean	Director	33,500	Purchased	30 June 2014
Platform Securities Nominees Ltd (Jim Prower)	Director	23,760	Purchased	30 June 2014

Share-based payments

Upon admission nil cost options were granted to executive directors in the amounts of:

Paul Hadaway	375,000 shares
Tim Atlee	375,000 shares
Michael Enright	187,500 shares

Details of the shares granted are outlined in note 17 – Share-based payments.

15. Subsequent events

A number of properties were purchased after the balance sheet date. The properties are listed below.

Name	Location	Beds	Title	Acquisition Price (£m)	Acquisition Date
Halsmere Studios	London	79	Freehold	13.2	3 February 2015
Northgate House [1]	Cardiff	67	Freehold	5.2	18 February 2015
95 Talbot Street [2]	Nottingham	67	Freehold	0.9	20 February 2015

[1] The Group exchanged contracts to acquire Northgate House in October 2014.
[2] The Group exchanged unconditional contracts to acquire the land only for a potential forward funded development in February 2015.

On 23 February 2015, the Group agreed an amended and restated facility with The Royal Bank of Scotland plc ("RBS") under which RBS has made a revolving (re-drawable) term loan facility of £55.5m available to the Group, up from the £35.5m facility originally agreed in October 2014.

16. Reconciliation of profit before income tax to cash generated from operations

	£
Profit before income tax	3,237,555
Share-based payments (note 17)	370,916
Depreciation charge	6,043
Finance income	(31,232)
Change in fair value on initial recognition	242,576
Share of results from joint venture	(1,296,714)
Change in fair value of investment property	(2,720,531)
	(191,387)
Increase in trade and other receivables	(1,485,305)
Increase in deferred income	1,427,184
Increase in trade and other payables	2,873,417
Cash generated from operations	**2,623,909**

17. Share-based payments

The Company operates a share-based remuneration scheme for Executive Directors.

Upon admission, 937,500 nil cost options were granted to the Executive Directors (Paul Hadaway 375,000, Tim Atlee 375,000, and Michael Enright 187,500). The options will vest subject to the Company meeting Total Shareholder Return (TSR) targets. The initial target for shareholder return growth is 5% covering the period from 30 June 2014 to 30 June 2015. The subsequent target is 10% (compound) per annum during the two year period from 30 June 2015 to 30 June 2017. Subject to the criteria being met an award would vest after 30 June 2017 in shares.

The awards have the benefit of dividend equivalence. The remuneration committee will determine on or before vesting whether the dividend equivalent will be provided in the form of cash and/or shares.

List of directors and advisors

Company Registration Number: 08886906
Incorporated in the United Kingdom

Directors and Advisers

Directors
Brenda Dean (The Rt Hon Baroness Dean of Thornton-le-Fylde) (Chairman)
Paul Hadaway (Chief Executive Officer)
Tim Attlee (Chief Investment Officer)
Michael Enright (Chief Finance Officer)
Stephen Alston (Non-executive Director)
Jim Prower (Non-executive Director)
Alexandra Mackesy (Non-executive Director)

Joint Financial Adviser
Akur Limited
23 Bruton Street
Mayfair
London W1J 6QF

Joint Financial Adviser and Broker
Jefferies International Ltd
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Legal Adviser to the Company
Wragge Lawrence Graham & Co LLP
4 More London Riverside
London SE1 2AU

Administrator and Company Secretary
IOMA Fund and Investment Management Limited
7 Cavendish Square
London W1G 0PE

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Auditors
BDO LLP
55 Baker Street
London W1U 7EU

Valuer
CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB

ESP Empiric Student Property

Empiric Student Property plc
6-8 James Street, London, W1U 1ED

Tel: +44 (0)20 3772 2780
Email: info@espreit.co.uk
Website: www.espreit.co.uk

For Public Relations and Media, please contact:

Newgate Communications
Email: empiric@newgatecomms.com
Tel: +44 020 7680 6550